

IV. CONCLUSIONS AND RECOMMENDATIONS

In this section, findings, results, and observations from Sections III and VI of the study are reviewed and processed into strategies. Demographic data, field research, interview notes, and survey responses are combined to yield insightful conclusions and constructive recommendations for future actions. Generally, we have limited our conclusions and recommendations to the DSA aggregate condition.

A. CONCLUSIONS

1. General

The DSAs (and their cities) in this study vary greatly among themselves. Clearly, these communities were not stamped out with a cookie-cutter. No two cities are alike. Each has different histories, populations, housing stock, geographic features, public spaces, annual events, major employers, city staffs, financial resources, crime levels, retail services, recreational offerings, streetscapes, and cultural/entertainment venues. However, the one thing that they all share in common is the need for a healthy and vibrant downtown. The most important ingredient for a thriving downtown is **people** (and the resulting pedestrian traffic). A city must draw people downtown and involve them on a streetscape level. There are only three sources of downtown users: (1) daily **workers**, (2) permanent **residents**, and (3) short-term **visitors**. There are three primary ways to lure these people downtown: (1) **jobs/campuses**, (2) **housing**, and (3) **attractions** (*attractions* is used broadly here and equates to the “physical environment” attributes of the *desired qualities of living* in Section III). Downtowns that lack any one of these three elements will continue to struggle for vitality. When pedestrians disappear from downtown sidewalks, inner-city vibrancy wanes. Downtown vitality relies on **people** and their **pedestrian activities**. All three elements (jobs/campuses, housing, and attractions) of the triad are interrelated and critical to downtown success. Housing is not created or sustained unless jobs and attractions are present; jobs are not created or sustained unless housing and attractions are present; and, attractions are not created or sustained unless housing and jobs are present. None of these elements function properly in isolation; rather they depend on synergy for success and growth. In an effort to increase and retain a critical segment of downtown people, this study focused on the “housing” element of the triad, more specifically modern, unsubsidized, multi-unit properties. This is the housing market that has the greatest potential for fueling downtown revitalization and prosperity.

Under the study's demand model, potential downtown housing users of modern, unsubsidized, multi-unit properties must find living arrangements and surrounding environments sufficiently desirable to motivate a household move. Demographic and resident survey data indicate that current downtown housing users of modern, unsubsidized, multi-unit properties are:

- equally male and female
- either young adults (18 to 34 years) or seniors (age 55+ years)
- living alone or with one other person (spouse/ roommate/partner)
- well-educated (sophisticated)
- earning more than area median income
- childless
- equally owners and renters
- newcomers to downtown living (less than 3 years residency)
- full-time workers employed outside the home (primarily in the Service industry) or retired

On average, this profile describes nearly 30% of all existing city households in this study and nearly 20% of all existing DSA households in this study. Typically, a DSA is capturing **only 2.0%** of all available households that meet the downtown housing user profile and live within its city. Only a small portion of these non-DSA households (the 98% living outside the DSA, but within the city) needs to be convinced to move downtown. To do this, cities and their local developers must deliver more and better housing properties in better downtown environments. Both entities must craft living environments that cater to the desires of current and future downtown housing users.

We have established in this study that potential downtown housing users judge up to **30 housing attributes** and **20 environmental attributes** (see Section III-D) when deciding whether to move downtown. They must achieve a certain level of satisfaction with these attributes before motivated desire becomes a downtown move. In this study, we scored and ranked the housing and environmental attributes of the 17 DSAs to determine their overall desirability. Then, the share of available downtown housing user households to citywide households was added to the equation to yield market strength. From this analysis, it is clear that DSA cities and their developers are performing at different levels to make their downtowns more desirable for housing users. Based on the desirability ratings and quantified available users, **Ann Arbor, East Lansing, Lansing, Grand Rapids, and Kalamazoo** have more desirable downtowns and stronger housing markets as a result. **Bay City, Holland, Midland, Port Huron, and Ferndale** have moderately desirable downtowns and average housing markets as a result. And, **Battle Creek, Jackson, Muskegon, Pontiac, Flint, and Saginaw** have less desirable downtowns and weaker housing markets as a result.

All of these cities have the potential to strengthen their DSA housing markets by making their downtowns and housing more desirable. Some cities started early, while others waited. Some cities allocated resources, while others had none to give. Some cities acquired technical expertise, while others did not recognize the need. And, some cities have natural features, while others are less endowed. Each city must contend with its acquired baggage of strengths and weaknesses. The secret is to fully exploit the strengths, while rapidly improving the weaknesses.

Developers must focus on providing desirable housing at various price points, whether it is owned or rented. Markets exist for both “for sale” and “for rent” properties within DSAs. Owners, when compared to renters, are:

- older
- more often males
- less likely to be living alone
- more likely to be childless
- earning higher incomes
- more educated
- less likely to be students
- less likely to be working downtown
- more likely to have moved from within downtown
- more likely to have owned their prior residence
- paying more for housing
- more satisfied with their residence and downtown
- living in larger units (two-bedroom/2.0-bath versus one-bedroom/1.0-bath)

Conversely, renters, when compared to owners, are:

- younger
- more often female
- more likely to be living alone
- more likely to have children
- earning lower incomes
- less educated
- more likely to be students
- more likely to be working downtown
- less likely to have moved from within downtown
- more likely to have rented their prior residence
- paying less for housing
- less satisfied with their residence and downtown
- living in smaller units (one-bedroom/1.0-bath versus two-bedroom/2.0-bath)

Owners seek open floor plans, security systems, secured building entries, and covered parking, while renters seek security systems, in-unit washer/dryer machines, secured building entries, and elevator service. Neither finds pools, whirlpools, nor outdoor play areas to be important features. Both like their downtowns for their eating and drink establishments, cleanliness, and appearance. Both rate public schools and job markets as the worst aspects of their downtowns. Owners move downtown for unique living places and high levels of activity, while renters are motivated by increased personal safety and closer proximity to work and school. Since downtown renters live alone more often than owners, they require fewer parking spaces.

On average, 30% of all DSA households live in modern, unsubsidized, multi-unit housing properties with four or more units (the study's focus), while 23% live in single-family homes (fringe neighborhoods) and 47% live in all "other" living arrangements (duplexes, triplexes, subsidized housing, assisted-living, nursing homes, rooming houses, student housing, homeless shelters, halfway houses, group quarters, trailers, prisons, etc.). Less than one-third (one in three) of all DSA residents currently have the resources (income, employment, and education) to be the engine of growth for Michigan downtowns. Until and unless DSA cities and their local developers turn this minority group into a majority player, downtown prosperity will be limited.

Multi-unit downtown living is best suited for households without children. Typically, large downtowns are not family-friendly places in which to reside due to smaller unit sizes, denser and taller buildings, elevator access, a disconnect between units and the ground, lack of convenient outdoor play areas, increased crime levels, poorly performing school systems, few playmates, noise, missing retail services, long distances between living units and parked cars, and busy streets. This explains why in 2007 only 22% of all DSA households are projected to have children (and these children most likely reside in the single-family fringe neighborhoods within DSAs). Only 4.8% of resident survey households reported children living at home. Childless households constitute nearly 60% of all Michigan households. This is the vast target population that is well suited for downtown living, and must be attracted to DSAs.

DSA cities need to recognize that downtown living is unique from, and different than suburban living (not better or worse). To be more desirable (competitive), downtown living must incorporate those aspects of suburban living that people find most appealing. As stated earlier in this study, downtown living has two major components, the housing itself and the environment or neighborhood in which it is placed. Housing issues such as unit size, privacy, noise, outdoor living, security, and parking (to name a few) must be managed creatively by housing developers, so that the perceived benefits of suburban housing are delivered downtown.

Likewise, environmental issues such as public safety, cleanliness, public events, user-friendly streetscapes, and recreational offerings (to name a few) must be provided downtown by cities at a level commensurate with their suburban counterparts. If desirable suburban attributes cannot be directly replicated downtown, then compensating downtown alternatives must be provided (e.g. a park instead of a backyard; a bus instead of a parked car; a view instead of a hiking trail; or a well sound-proofed common wall instead of a side yard). If sought-after aspects of suburban living can be fused with the unique and exciting aspects offered by individual DSAs, households will, once again, desire and return to downtown living.

Cities must take the lead in downtown housing by preparing the environment for the developer's product. Cities do not have to build and operate the housing product, but they must ensure that the environment will support its success. Developers must decide what product to offer, and nurture it to a healthy occupancy. The state should act as overseer of the entire process, and offer technical advice and financial assistance when warranted. Developers appear to wait until cities provide healthy environments in which to build. The state must help cities prepare their downtowns for developers.

2. Demographics

On average, DSAs lost population and households during the decade of the 1990s at a combined rate of 1.5%. These decreases are expected to accelerate from 2000 to 2012 with a combined rate exceeding 6.0% for the period. More households are leaving downtowns than are arriving, and the rate of this net loss is projected to quicken with time. In general, people no longer consider DSA environments desirable places to reside. Oddly, households are projected to decrease at a faster rate than population (7.2% versus 5.5%). This indicates that DSA households are consolidating and slowly growing in size. This is common during difficult economic times. People, who might otherwise live alone, elect to share living arrangements to reduce living costs. Household growth is expected in the DSAs of Ann Arbor, Grand Rapids, Kalamazoo, Midland, and Muskegon from 2000 to 2012. These DSAs appear to be enjoying a certain level of desirability. However, dramatic decreases (greater than 10%) in households are projected for the DSAs of Port Huron, Battle Creek, Bay City, Lansing, and Saginaw during this same period. These cities, in particular, must reverse this ominous trend by making their downtowns, once again, attractive places to live and work. With the state of Michigan projected to increase in both population and households during this decade, people appear to be avoiding downtown living in many of the study's DSAs.

While there is no direct relationship between daytime population and resident population in DSAs, nearly four times more people work within a DSA than live. According to the study's downtown resident survey, only one-third of working respondents live and work in the same downtown. DSA cities must increase this downtown live/work percentage to become more vibrant.

On average, DSAs contain **2.2%** of their city's population, **2.6%** of their city's households, and **2.7%** of their city's housing units. These values represent extremely small portions of each city. If DSA cities expect to improve the overall health of their downtowns, these percentages must be increased dramatically. Downtowns are not attracting sufficient people to sustain revitalization efforts. In 2007, the typical DSA has 1,196 people in 588 households with 682 housing units available. Given that there are more housing units than households, nearly 14.0% of DSA dwellings are vacant. Empty units can mean lost revenue, condemned buildings, poor management practices, weak housing markets, unsightly streetscapes, vandalism, and homeless squatters; all indicators of undesirable living condition. Vacant housing units should be eliminated or significantly reduced, if downtown living is to improve.

Other demographic data substantiate the need for additional improvements within DSAs. Besides elevated housing unit vacancy rates (no DSA is below 4.5%), DSAs typically have the following conditions, when compared to the rest of their cities and/or the state:

- smaller living units
- higher annual turnover rates and shorter residency durations
- higher unemployment rates
- higher crime indices
- lower median gross income and buying income
- higher shares of overburdened owners and renters (people paying more than 30% of their income for housing)

On the positive side, certain demographic data show that DSAs typically are better than the rest of their cities and/or the state by having:

- lower median home values (more affordable)
- lower monthly housing costs (more affordable)
- shorter daily commute times
- fewer cars per household
- less use of cars for commuting

3. Housing Supply

Of the 18 DSAs that were surveyed for housing meeting the study's criteria, 11 have rental and condominium properties, two have only rental properties, two have only condominium properties, and three have no properties at all. When the 17 DSAs in the aggregate analyses are averaged, each yields 588 households, 227 surveyed housing units (serving 38.6% of households), two and a half rental properties with 39 units each, and three condominium properties with 42 units each. When only the 14 DSAs with surveyed units are averaged, each yields 689 households, 275 surveyed housing units (serving 39.9% of households), three rental properties with 38 units each, and four condominium properties with 40 units each. For cities that average 70,000 people, these DSA housing numbers are extremely small. The numbers become even smaller when it is revealed that Ann Arbor and Grand Rapids contain 53.7% of all surveyed housing. If these two cities are removed from the average, each of the remaining 12 DSAs yields 520 households, 149 surveyed housing units (serving 28.7% of households), three rental properties with 30 units each, and two and a half condominium properties with 24 units each. To date (July, 2007), DSA cities and their developers have not produced modern, unsubsidized, multi-unit housing properties in significant numbers to impact available downtown housing user markets. There is ample room for more supply, if cities adequately address the other two elements of the downtown triad, "jobs" and "attractions".

During our field investigation, we surveyed 44 rental properties (1,638 units) that were built and operating, seven rental properties (214 units) that were being built, and 15 rental properties (636 units) that were being planned. For condominiums, we surveyed 47 properties (1,751 units) that were built and occupied, six properties (465 units) that were being built, and 26 properties (1,038) that were being planned. If all of these proposed properties (those being built and planned) are actually completed, 2,353 new housing units will be delivered to DSAs by the end of the decade (2010). This production level will increase the existing supply of modern, unsubsidized multi-unit housing by nearly 70%.

Significantly, nearly twice as many condominium units are on the drawing board as rental units. Moreover, 62% of these proposed units are targeted for Grand Rapids and Ann Arbor, where 53.7% of all existing units are located. It appears that most of the current and future housing supplies are concentrated within only a few DSA markets. On average, built properties have 37 units each; those being built have 52 units each; and those being planned have 41 units each. Most DSA properties, whether existing or proposed, range in size from 35 to 50 units. This moderate size could be a function of unstable markets, zoning density limitations, available sites and structures, or just preferred living arrangements.

Of the 104 surveyed multi-unit housing properties, 72.1% (66.7% of rentals and 77.4% of condominiums) have opened since 2000. Only 12.5% were completed prior to 1990 (15.7% of rentals and 9.4% of condominiums), and only 15.4% were delivered during the 1990s (17.7% of rentals and 13.2% of condominiums). Nearly three out of every four surveyed properties have opened within the past seven years. Modernized, unsubsidized, multi-unit housing is truly a phenomenon of this decade. Exactly one-third of all rental properties opened prior to 2000, while less than one-quarter of condominium properties opened during this period. Before 2000, more rental properties opened than condominium properties. However, since 2000, more condominium properties have opened than rental properties. Condominiums appear to be the preferred form of living in DSAs thus far this decade. Of the proposed units (those being built or planned), 850 are scheduled to open as rentals and 1,503 as condominiums. However, this high ratio of proposed condominiums to proposed rentals may be the result of the classic “follow the pack” mentality of many developers. There is the potential that many of these proposed condominiums will become rentals as the economy and absorption rates slow.

From our field survey, rental properties use rehabilitated older buildings more frequently than condominium properties. Of the 44 rental properties, 33 (75.0%) are in older buildings that have undergone major rehabilitations. Of the 53 condominium properties, 27 (50.9%) are in rehabilitated buildings. From our opinion surveys, developers and downtown residents prefer using and living in older, remodeled buildings. Since there are a finite number of feasible, older buildings, inventories may be getting low in DSAs where downtown housing has been active for multiple decades. Further, older buildings cannot always meet the demands of discriminating, high-end users.

The population size of a city does not necessarily dictate the amount or quality of its downtown living. In this study, the ratio of “people in a city” to “surveyed downtown housing units” is not constant among all DSAs. Muskegon, Ann Arbor, and Grand Rapids have the most surveyed DSA housing units per capita. Battle Creek, Saginaw, and Midland have the least number of surveyed DSA housing units per capita. Just because a city has a large population does not mean that it has a healthy downtown housing market. Many more factors are at work than just size; the *desired qualities of living* are the key. Moreover, the “number” of housing units in a DSA is not an automatic indicator of downtown health either. It is the number of “occupied” housing units. A downtown cannot thrive unless it has people living in its housing units. According to our field survey, 22.0% of all surveyed DSA housing units are vacant (either unsold [35.8%] or unrented [8.9%]). The number of occupied housing units (both current and future) must increase, if cities expect to revitalize their downtowns.

From our DSA field survey of 44 operating rental properties and 53 operating condominium properties, the following highlights are presented:

Rental Properties

- Of all rental properties, 77.3% are market-rate, 18.2% are Tax Credit, and 4.5% have both market-rate and Tax Credit units. Market-rate properties perform slightly better than Tax Credit properties (8.4% versus 9.8% vacancy rates).
- Of the 12 DSAs with rental units, each averages 3.7 properties and 137 units (37 units per property; 63.9% market-rate and 36.1% Tax Credit).
- The most commonly built unit types are one- and two-bedroom plans (81.6% of market-rate units and 91.4% of Tax Credit units).
- Rent values for market-rate units are twice as much as Tax Credit units across all unit sizes.
- Quality ratings are consistently “As” and “Bs” for properties that are newly built or significantly rehabilitated.
- Average height of rental property buildings is five stories. Heights range from one to 32 stories.
- One in four (25%) properties are newly built, while three in four (75.0%) are rehabilitated older buildings.
- For properties using older buildings, 81.8% underwent major rehabilitation (gut/rebuild), while 18.2% underwent only minor rehabilitation (cosmetic/code updates).
- Icemakers and washer/dryer machines are offered in less than 40% of all rental units. Provided unit features do not seem to match wanted features. Security, washer/dryer equipment, and private outdoor living spaces are most commonly desired by residents, but rarely provided by landlords. Two-thirds of properties have on-site management and laundry facilities, while few offer common area amenities other than party/meeting rooms. In general, rental properties appear to be amenity poor.
- Elevators serve 78% of rental properties. All buildings with four or more stories have elevators, while only 25.9% of properties with less than four stories have them.

Condominium Properties

- Of all condominium properties surveyed, 54.7% are established (all units sold) and 45.3% are active (still selling initial units).
- Of all condominium units, 78.4% are sold and 21.6% are unsold.
- Of all active condominium properties, 64.2% of the units are sold and 35.8% are unsold.
- Of the 12 DSAs with condominium units, each averages 4.4 properties and 185 units (42 units per property).
- The most commonly built unit types are one- and two-bedroom plans (80.1%).
- Quality ratings are consistently “As” and “Bs”. Although rental properties have similar quality ratings, condominium properties tend to be of slightly higher quality across the board.
- One-third of all condominium units were sold before 2000, while two-thirds have sold since 2000.
- Condominium units are 25% larger in size than rental units, across all unit types.
- Less than 50% of condominium units receive washer/dryer equipment, while less than one in four (20.5%) have security systems. Features such as fireplaces, vaulted ceilings, and ceiling fans are offered in less than one out of every five units. Other than elevator service (83.5% of units), major on-site common area amenities (pools, fitness centers, tennis and/or sports courts, and saunas) appear in less than 30% of properties. One in three units receive secured parking. Less than half of the units enjoy on-site management or personal services (concierge). As with rental properties, condominiums appear to be amenity poor.
- The most common type of parking arrangement for condominium properties is a shared concrete, multi-level garage (81.1% of units).
- The average monthly association fee for condominium units is \$312.

4. Surveys

There is a disconnect among developers, cities, and residents evidenced by the results of the four attitudinal surveys conducted under this study. Although some sentiments are shared, differences abound; particularly with regard to why people move downtown and what they are seeking there. This disconnect suggests a need for better communication and understanding among all three parties involved in downtown housing. Cities must better understand what developers need to deliver quality housing downtown, and what motivates their citizenry to move downtown. Developers must better understand the desires of current and future downtown residents, and how cities can become their partners in delivering quality downtown housing. Citizens of DSA cities must express more clearly their specific desires for downtown improvements (to cities) and living arrangements (to developers).

City Survey

In general, city officials believe that a “high activity level” and a “good quality of life” encourage downtown living, while “weak housing markets” and “struggling job markets” discourage it. Cities cite “entertainment”, “activities” and “user-friendly streetscapes” as the primary motivators for downtown moves. A “lower cost of living” is not motivating people to relocate downtown in their opinion. This supports the perception (and reality) that downtowns are a more expensive place to live.

City officials cite supermarkets, hardware and home improvement stores, and media and bookstores as the most common retail services missing from their downtowns. These bigger box retailers usually require a larger user population per store than most DSAs currently can deliver. They believe these missing retail elements are “somewhat” hampering downtown housing and living. Less than 40% of DSAs have movie theaters or shopping malls. City staffs insist that major entertainment venues are critical to attracting downtown residents. Most city officials agree that downtown housing has helped downtown businesses “some” or “a lot”, and understand the importance of this symbiotic relationship. Providing financial assistance to developers and financial incentives to residents are cited by city officials as important tools for encouraging downtown housing. To further stimulate downtown living, cities say they must increase the number of retailers, deliver housing at various price points, promote the positive aspects of downtown living, conduct research studies, create downtown housing coalitions, and improve the image of multi-unit housing (remove the stigma of low-income, subsidized living).

Most city officials report having downtown sites and buildings under their control that are good candidates for future multi-unit housing, but only some actively pursue their development. Rarely do they use a Request For Proposals (RFP) process to advance these properties. In their mind, city staffs believe they are pursuing downtown housing “a lot” or “some”. The availability of qualified developers is reported to be adequate, and not a hindering issue. Nine DSA city officials claim they are doing everything possible, including financial assistance, to encourage downtown housing; six say they are actively engaged, but do not provide financial assistance; and one reports no active involvement in downtown housing. Two-thirds of city respondents cite some kind of homelessness problem in their downtown that is adversely affecting the growth of downtown living. This issue appears to be a significant obstacle to downtown desirability.

Surprisingly, three out of four DSA city officials report moderate to strong housing markets in their downtowns that are supported by recent, professional housing studies. These studies seem to confirm what is written in this report: there are significant numbers of potential downtown housing users in all DSA cities. City staffs believe that Brownfield Tax Credits, Neighborhood Enterprise Zones, Low-Income Housing Tax Credits, and Renaissance Zones are the most effective state programs for delivering downtown housing. All city respondents agree that they must have state assistance to accomplish downtown housing. City officials are eager to promote downtown living, but many lack the technical skills and resources to actually deliver it. They are receptive to state assistance and training. With the exception of one city in this study, DSA governments are focused on downtown housing, and trying to expand it. Comprehensive planning is needed that recognizes the critical role of the “desired qualities of living” identified in this study.

Developer Survey

Developers say that they seek downtowns with a “good quality of life” and “available properties” when selecting communities in which to work. They agree with city officials in citing “weak housing markets” and “struggling job markets” as the primary deterrents to downtown housing. Both city officials and developers concur that “entertainment”, “activities” and “user-friendly streetscapes” are the key reasons why people move downtown. About one in three developers have had difficulties with downtown housing developments, while the other two-thirds have not. Of the majority that have had positive experiences, most will undertake another downtown housing property in the future. Typically, developers are not complimentary of city performance. Developers cite Brownfield Tax Credits, Low-Income Housing Tax Credits, and Neighborhood Enterprise Zones as the most effective state programs.

Developers prefer older buildings to new construction when developing housing properties. Weak housing markets, high development costs, and slow approvals are the problems most commonly faced by developers at the local level. They use market studies either all of the time or hardly at all. There is no in-between. Two-thirds of developers believe that cities with populations below 40,000 are risky places to build and operate downtown housing. Only one-third of developers pursue city-issued Requests for Proposals. The RFP process seems to be an under utilized tool.

Developers report that parking and security are the two most important issues to address in downtown housing, with modest pricing and good unit design coming next. Developers want easier and quicker approvals, financial assistance and incentives, and tax relief from the cities in which they operate. Over 75% of developers agree that city and state assistance are critical to the success of downtown housing. From the developers' standpoint, the incorporation of commercial space in downtown housing properties is worthwhile. Developers say that the most common downtown resident type is a single adult living alone, followed by married couples without children. This supports the findings in this study. They say that the biggest demand is for two-bedroom units, with one-bedroom plans following closely behind. Developers cite security, parking, and elevators as the most important property features to residents. Pools, outdoor play areas, and fitness centers are the least desired common features by residents. Developers report that the most desired unit features include open floor plans, Internet service, and security systems. Least desired unit features are fireplaces and ceiling fans.

Most rental developers believe that vacancy rates typically run below 10%, while our findings confirm an aggregate rate of 8.9%. Most condominium developers report actual sales rates that are much slower than they had originally anticipated. Developers say that East Lansing, Ann Arbor, and Grand Rapids have the best downtown housing markets, while Saginaw, Pontiac, and Flint have the weakest. These two sets of cities match the study's market strength findings.

Resident Survey

For downtown residents, the most important factor in their decision to move downtown was "personal safety and building security", followed by "unique living spaces", and a "high level of activity". These reasons differ from those cited by developers and cities. The least important factors for moving downtown were job seeking, retail services, and public outdoor spaces. When asked for the main reason they moved downtown, most residents said "proximity to school or work". Although residents want safe, unique places to live with lots of things to do, it seems that being closer to work or school is the primary force driving downtown moves.

When surveyed residents moved downtown, the rate of ownership increased. Either people prefer to own when living downtown, or there are more incentives offered for home ownership. Residents report a marginal level of choice when they sought their current downtown residence. Most residents live in one- and two-bedroom units with very few having more than two bathrooms. Of residents who report having commercial spaces in their buildings, only half patronize them. Explanations for this low use rate could include vacant space, unneeded businesses, or poorly operated businesses.

The survey indicated that the median purchase price for downtown condominiums is \$225,000, while the median value for downtown rental units is \$875. Purchase prices increased slightly when owners moved downtown, while rent values increased significantly for renters. It appears that downtown housing costs are higher than housing costs outside of DSAs.

The most important unit feature for residents is a security system, followed by open floor plans, and in-unit washer/dryer machines. The least important unit features include fireplaces, ceiling fans, and window coverings. The most important common property feature is a secured building, followed by assigned parking and covered/secured parking. The least important common area features include outdoor play areas, pools, and party rooms.

Most surveyed residents are very or extremely satisfied with their residence (84.5% combined). When asked what they like best about their residence, residents cite proximity to work-school-shopping most, followed by unique buildings, good unit designs, and nice views. The most problematic issue is parking, followed by noise and odors, poor construction and design, high prices, lack of private outdoor areas off unit, and poor management. The number of parking spaces appears to be a function of household size. For single-person occupancy, one space is needed. For multiple-person occupancy, at least two spaces are needed. Residents say that visitor parking is considered when seeking downtown housing.

Most surveyed residents are very or extremely satisfied with their downtown (85.8% combined). The most desired downtown attributes are convenience to work-school-shopping and an abundance of things to do. The least desired attributes include crime and homelessness, parking, noise, odors, and air pollution, and traffic. When residents are asked to rate certain downtown attributes, the highest scores are awarded to eating/drinking establishments, cultural arts, and cleanliness/appearance. The lowest scores go to job markets, retail services, and public schools. Typically, a resident is more satisfied with their downtown than their residence. The primary reasons cited for moving out of downtown in the future include: lower housing costs, get a bigger place, employment changes, health changes, or the arrival of children. Of these, only cost and unit size are directly related to housing.

The majority of surveyed residents live in good performing condominium properties (those with sales rates of 0.8 units per month or higher). In total, however, rental properties are outperforming condominium properties. Satisfaction levels do not seem to correlate with property performance. Residents who live in medium-sized (20 to 49 units), low-rise (one to three stories), newly built, or condominium properties have the highest satisfaction with their residences. Residents who are least satisfied live in small-sized (below 19 units), mid-rise (four to six stories), renovated or rental properties.

Owners, seniors, wealthier people, non-students, and childless adults are generally more satisfied with their residences and downtowns than their counterparts (renters, young adults, lower income people, students, and families). Less-educated people like their residences more than well-educated people, while well-educated people like their downtowns more than less-educated people.

B. RECOMMENDATIONS

1. Michigan cities with more than 30,000 people and a definable downtown area should assess the health of their downtowns. The primary areas of introspection could be the three elements of the downtown “people-generator” triad: jobs/campuses, housing, and attractions. For the housing and attractions components, cities could use the “desired qualities of living” (identified in this study) as evaluation criteria. Cities need to know where they stand on the downtown health continuum, so that their strengths and weaknesses are revealed. In so doing, cities can implement the necessary actions to promote their strengths and improve their weaknesses. Further, downtown dollars can be allocated more prudently and effectively by knowing specific areas to target. This assessment/betterment process should result in downtowns that are more desirable places to live (the ultimate goal). These evaluations could be done annually to keep cities focused on downtown living issues, and to measure their progress. For weaknesses that do not improve, corrective actions could be recommended.
2. This study, using its own assessment method, reveals that DSAs fall within three levels of desirability and corresponding housing market strength: (1) high and strong, (2) moderate and average, and (3) marginal and weak. For DSAs that are highly desired and have strong markets, the focus should be on the “housing” component of the “desired qualities of living” paradigm. For DSAs that are moderately desired and have average markets, the focus should be on both the “housing” and “environmental” components of the paradigm. And, for DSAs that are marginally desired and have weak markets, the focus should be on the “environmental” component of the paradigm.

When considering the allocation of resources and the funding of housing proposals, great care should be taken in placing the right housing product in the right downtown environment. This should enhance its chances for long-term success. Greater scrutiny should be employed with DSAs in the lowest tier of desirability and market strength. In these downtown locations, developers and cities should demonstrate a proper match between product and neighborhood health before approvals are issued. Clearly, it would be imprudent to place a high-priced condominium property in a downtown neighborhood that is not yet desirable. The target market must find the target neighborhood acceptable and, preferably, desirable.

3. Interviews with DSA city officials revealed that local governments' efforts with downtown living are often disjointed and unfocused. They need a skilled point-person to lead, coordinate, and advance downtown living activities. Michigan cities with more than 30,000 people and a definable downtown area should consider the appointment of a "downtown living specialist" whose job it would be to improve and expand all aspects of downtown living (not just housing). This skilled specialist would work with the state, developers, downtown resident and business groups, the DDA, city staff, and other local groups involved in downtown living. Duties of this position might include:
 - Prepare and update annually a database of downtown buildings and sites that are good candidates for future housing. For properties under the control of the city, Requests For Proposals could be issued and advanced. For properties not under the control of the city, the specialist could try to connect owners with interested developers.
 - Prepare and update annually a database of downtown multi-unit housing properties with four or more units. It should include property information, vacancy and sales rates, and quality ratings. The database could be used to monitor downtown housing performance.
 - Conduct interviews, surveys, and focus groups not only with downtown residents and businesses, but also with other groups involved in downtown living. This could allow cities to feel the pulse of what current and future downtown users want and desire.
 - Perform annual downtown audits as suggested in Item 1 above. The specialist could be the one responsible for monitoring the health of downtown living conditions.

If the State and their larger cities are committed to the revitalization of Michigan downtowns, then a "downtown living specialist" position in each city could play an important role in achieving success.

4. MSHDA should consider providing assistance and incentives to all three parties involved in downtown housing: cities, developers, and residents. Cities need help to improve downtown environments; developers need help to create better downtown housing; and residents need a reason to move or remain downtown. Programs and policies should be designed that will motivate each of these three players to participate. In addition, programs should address all price-points (low, middle and high), tenure types (ownership and rental), and socioeconomic groups. Some DSA cities need affordable rental housing to recruit and retain younger residents for retail jobs, while others want high-end condominium housing to recruit and retain older citizens. Downtown living is enhanced and strengthened by the co-existence of various peoples. DSA cities should have an understanding of their downtown “people” needs.
5. Most DSA cities appear to lack a comprehensive strategy for improving downtown living. They could benefit from a better understanding of the forces, issues, and relationships that are at work within their downtowns. The state could play an active role in assisting DSA cities with these strategic planning activities. While the “downtown living specialist” program could be a step in that direction, the state could go farther by providing hands-on training for DSA cities. As mentioned earlier, housing developers typically wait for cities to improve their downtowns; it also appears that cities are waiting for the state to help them with these downtown improvements.
6. Downtown housing is more difficult and risky than its suburban counterpart. Public agencies need to recognize this fact, and become more proactive (not reactive) as a result. To attract developers (and their housing properties), public sector should adopt policies and programs that make it easier for them to find and deliver the goods. These difficulties and risks should be offset with compensating incentives. Cities should favor and facilitate any downtown development, but particularly those with residential components. Assistance with zoning and building codes, parking options, security issues, site identification and acquisition, public amenity linkages, environmental remediation and reclamation, tax reductions and abatements, fee reductions and waivers, research studies, infrastructure improvements, housing coalitions and historic districts, downtown living promotion, and entitlements and approvals should be offered. The public sector does not deliver downtown housing, the private sector does. A genuine partnership must be forged between both entities, if Michigan downtowns are to become vibrant again. As mentioned earlier, cities need people downtown, and housing is the only mechanism for having them there permanently (24 hours, seven days a week). However, public entities should reserve the right to withhold assistance/incentives from housing proposals that are located in downtowns and neighborhoods with unproven health and desirability.

7. From our field survey of properties and the attitudinal surveys of housing participants, it appears that on-site features and amenities in DSA housing properties are neither plentiful, nor aligned with resident preferences. For example, developers believe that the most important unit feature is an open floor plan, while residents say it is a security system. For property features, developers believe the most important one is a secured building, while residents say it is covered/secured parking. The field survey of housing properties aggregately shows that 18.5% of units have secured parking, and 9.2% of units have security systems. Moreover, the resident survey cites “parking” as the number one thing respondents like least about their residence. There is not only a disconnect between what developers and residents want in downtown housing, but there is also a disconnect between what is thought and then actually provided.

Realizing that in most cases developers are trying to deliver housing products at the lowest possible price-points, features and amenities are the first things erased from the plans. To date, residents appear to be sacrificing these amenities for good locations and unique living spaces. From the resident survey, respondents report that housing choices were “limited” when they sought their current downtown residence. Perhaps, the lack of supply or competition has reduced the pressure on developers to deliver better-appointed properties. Also, the reuse of older buildings could be limiting developers from offering more or certain features. Regardless of the reason, downtown housing developers need to address this minimalist approach to “product planning”. With the need to attract more housing users downtown, developers need to deliver housing products with more resident-desired features (both within the unit and within the property). Typically, competition breeds value, and value breeds more features. Perhaps, with more housing product in the marketplace, more amenities will appear. Meanwhile, policies need to be adopted or incentives implemented that motivate developers to deliver not only more features, but also those that attract downtown housing users.

8. The state should conduct an annual Downtown Living Symposium with participants such as retailers, city and DDA staff, developers, architects, housing coalitions, public agencies, and chambers of commerce. Workshop sessions could be divided into the “people-generator” triad elements: jobs/campuses, housing, and attractions. The “desired qualities of living” could also be used for discussion topics. This yearly symposium could include problem-sharing, case studies, anecdotal stories of success and failure, technical training and assistance, new program brainstorming, vendor exhibits, and guest speakers. This could be the venue where the under utilized Request For Proposals process is taught to cities and developers. This event could become the annual clearinghouse for Michigan downtown living, and be hosted by a different DSA city each year.

As part of the City and Developer surveys, respondents were asked to recommend new ways for the state to assist and encourage downtown living. Their most interesting responses follow:

- Provide funds for cities to perform downtown residential research studies.
- Authorize new and longer Renaissance Zones (property tax abatement program).
- Provide incentives to any downtown project that has a residential component of over a certain number of units (amount of incentive could vary with the number of units).
- Provide funds to offset the high cost of accessibility issues in downtown rehabilitation projects with residential components.
- Expedite state approvals for any downtown project that has a residential component.
- Provide funds for environmental site assessments on downtown projects with a residential component.
- Provide financial assistance to any downtown project that has a residential component targeting median income residents.
- Provide state income tax relief for residents with primary residences within downtowns.
- Provide financial rewards for every new downtown housing unit that is rented or bought as a primary residence (so many revenue-sharing dollars per rented/bought unit; paid annually). Payments could go to the city, the developer, or a portion to both parties.

During the performance of this study, the following topics were identified for future MSHDA studies:

1. Develop this study's "desired qualities of living" into a "desirability scorecard". This would involve operationally defining the 50 qualities of living (housing and environmental attributes), and securing empirical data to score each quality. The resulting scorecard could be used to accurately assess and track the desirability of downtown living over time. Dollars could then be targeted at the downtown qualities that are most in need of improvement.

2. Perform a follow-up study to this report in 2011, after the 2010 census data is available. During this four-year period, many changes will occur in the DSAs. The census data will be real-time (actual counts); the 2,353 proposed downtown housing units identified in this study will or will not have been built; and the current economic conditions will have made their impact. This study could be used a baseline for the 2011 follow-up study.
3. Study in more depth the “own versus rent” decision-making process of downtown residents. This would involve the identification of factors used in the tenure decision, and testing them with a survey instrument. The results would be helpful to those interested in planning and delivering different types of downtown housing.
4. Investigate the impact of increasing energy costs (gasoline and heating/cooling fuels) on where people choose to live. It would be interesting to see if increasing energy costs render downtown living more attractive and desirable.